Real Estate Outlook for 2017

By Richard P. Howe Jr.

Take a glance at the recording statistics for November and one number stands out. Sixty-two percent—that’s the increase in the number of mortgages recorded from November 2015 (750) to November 2016 (1216). The biggest previous jump in mortgage volume this year was 32 percent in September. However, when the November 2016 mortgage number is looked at from month-to-month, rather than the same month a year earlier, the increase is not so startling. November was the seventh consecutive month (May 2016 through November 2016) of above-1000 mortgage volume. That followed eight months (September 2015 through April 2015) of below-1000 mortgage volume. (The number of deeds recorded from month-to-month has been more stable through the same period).

Other than the stable national economy, it is unclear what has caused the recent positive trend in mortgages. Unfortunately, this elevated volume might not last. Just after the November 8, 2016 election, mortgage interest rates jumped. This will presumably cause the number of mortgages recorded in December. Also, other factors such as a holiday-shortened month and the onset of inclement weather will likely result in fewer transactions, a trend that should continue through early 2017. (January, February, and March are always see the lowest volumes of recording at the registry of deeds).

Even though the recent rate increases may slightly suppress the number of refinancings, mortgage interest rates are still relatively low by historic standards and should not be a major drag on the housing market, especially for low- and mid-priced homes. These reasonable rates plus the continued shortage of inventory should cause home prices to continue to rise steadily in the first half of 2017.

(continued on page 2)
Another piece of positive news comes from home prices. Through November, all but one community in the Middlesex North Registry of Deeds district saw moderate increases in the median price of properties sold compared to prices in 2015. Tyngsborough had the highest median price increase, 9 percent, followed by Tewksbury (8 percent), Westford (7 percent), Lowell, Billerica, and Dracut (4 percent each), Carlisle and Chelmsford (2 percent), and Wilmington (1 percent). The one community that had a (statistically insignificant) decrease in median sales price was Dunstable, which went from $430,400 in 2015 to $430,000 in 2016.

One reason for the low number of homes on the market is that a number of home owners remain underwater on their mortgages. As evidence of that, most of the foreclosure deeds recorded in the past few months were of mortgages that were obtained between 2004 and 2007 when prices were at their highest. Because of the subsequent drop in values, many homeowners still owe more on their mortgages than the property is worth, so any disruption of income needed to make monthly mortgage payments most likely results in foreclosure. Homeowners with an equity cushion – meaning the home is worth more than the amount owed on the mortgage – could sell the property and avoid foreclosure.

Fortunately, the slow rise in home prices has resulted in the median sales price in four Middlesex North communities – Billerica, Chelmsford, Tewksbury, and Wilmington – now exceeding the highest median price attained during the housing bubble, and the gap is closing in the other six communities. This means that more and more homeowners will attain that valuable equity cushion which will not only reduce the number of foreclosures, but also increase the number of homes being offered for sale.

Despite the expected decline in the number of mortgage refinancings, median prices reaching or exceeding prices attained during the housing bubble combined with a strong economy and historically low mortgage interest rates all suggest that the 2017 real estate market will continue moving in a positive direction.
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